

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 TRSE-00 FRB-03 EB-07 SEC-01 JUSE-00 L-02

/026 W

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R 191531Z FEB 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 284

AMCONSUL ZURICH UNN

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E.O. 11652: N/A

TAGS: EFIN, SZ

SUBJ: SWISS GOVERNMENT ATTITUDE ON BANK REGULATORY/SUPERVISORY  
MATTERS

1. SUMMARY. SWISS GOVERNMENT AUTHORITIES AND CENTRAL BANK ARE SEEKING WAYS TO IMPROVE BANK REGULATORY FRAMEWORK AND SUPERVISION INCLUDING COORDINATION WITH OTHER COUNTRIES. THEY ARE MORE CONCERNED WITH IMPROVING THE HEALTH OF THE SWISS BANKING SYSTEM THAN PROSECUTING THOSE GUILTY OF ABUSES. WE THINK THIS PARTIALLY EXPLAINS GENERALLY COLD RESPONSE TO SEC AND JUSTICE REQUESTS TO EXCHANGE INFO ON RECENT SWISS BANK FAILURES. POSSIBILITY OF GREATER SWISS COOPERATION WITH U.S. BANK REGULATORY AGENCIES STILL EXISTS. ACTION REQUESTED. WOULD WELCOME ANY WASHINGTON REACTION TO FOLLOWING AND PARTICULARLY WOULD APPRECIATE RECEIVING SUGGESTIONS RE STUDY OF U.S. BANK REGULATORY SYSTEM AND PRACTICES AS REQUESTED BY BANKING COMMISSION. END SUMMARY.

2. AS DEPARTMENT AWARE, SWISS AUTHORITIES OVER PAST SEVERAL MONTHS HAVE CONSISTENTLY DECLINED U.S. PROPOSALS (SEC, JUSTICE DEPARTMENT) EXCHANGE INFORMATION RE REGULATORY ASPECTS OF AMINCOR BANK/ZURICH AND FINABANK/GENEVA FAILURES. (STATE 26382; BERN 636; BERN 170; AND PREVIOUS).

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3. PRIMARY SWISS AGENCY IN SUCH MATTERS IS FEDERAL BANKING

COMMISSION WHICH UNDER 1971 AMENDMENT OF 1934 LAW HAS MUCH MORE SWEEPING POWERS BUT IS SADDLED WITH VERY SMALL STAFF AND GENERALLY INADEQUATE TOOLS. FOR EXAMPLE, COMMISSION SUPERVISES AUDITING FIRMS BUT DOES NOT ITSELF PERFORM BANK AUDITS.

4. IN CASE OF TWO SINDONA BANKS WE THINK COMMISSION WAS PRIMARILY CONCERNED TO SEE THAT TWO BANKS WERE LIQUIDATED QUICKLY RATHER THAN TO COLLECT EVIDENCE AND PROSECUTE RESPONSIBLE BANK OFFICERS. THUS, AMINCOR WENT INTO VOLUNTARY LIQUIDATION WITH SOME ACCOUNTS TRANSFERRED TO BRANCH OF SWISS CREDIT BANK (BERN A-299, OCTOBER 30, 1974) WHILE MORATORIUM REQUEST PENDING IN GENEVA COURT FOR FINABANK BUT UNLIKELY TO BE APPROVED. (BERN 183.) IN LATTER CASE WE GATHER THAT SWISS NATIONAL BANK (SNB) WOULD HAVE PREFERRED SEE FINABANK RESCUED BY BANCO DI ROMA AND WAS PREPARED ACCEPT LATTER'S MAIN CONDITION THAT IT BE ALLOWED BRANCH IN ZURICH. (BANCO DI ROMA HAS HAD SUBSIDIARY IN LUGANO FOR MANY YEARS WHICH IS NOW ONE OF LARGEST FOREIGN BANKS IN SWITZERLAND.) SNB ALSO ASSISTED IN CUSHIONING FOREIGN EXCHANGE MARKET EFFECTS OF FINABANK DOLLARS HELD BY SWISS BANK CORP. BUT BANKING COMMISSION WAS APPARENTLY ADAMENT AND INSISTED THAT SINCE RECIPROCITY PROVISION OF BANKING LAW WAS NOT SATISFIED BY ITALY, ONLY SWISS OR OTHER FOREIGN BANK COULD TAKE OVER FINABANK. AND APPARENTLY THERE NO TAKERS AS YET.

5. EMBASSY STILL BELIEVES, DESPITE FOREGOING, THAT SWISS SEEK GREATER INTERNATIONAL COOPERATION IN BANK REGULATORY/ SUPERVISORY MATTERS AND WOULD WELCOME BILATERAL CONTACTS WITH APPROPRIATE U.S. AUTHORITIES. (SEE ALSO BERN 4131). ANY SUCH CONTACTS COULD NOT INVOLVE SPECIFIC INFO SUBJECT TO BANK SECRECY LAWS BUT MIGHT CONTRIBUTE TO EARLY WARNING OF ANY FUTURE BANK PROBLEMS AND MIGHT ALSO LEAD TO SOME HARMONIZATION OF TECHNIQUES AND APPROACHES. IN THIS CONNECTION, EMBASSY HAS JUST RECEIVED FROM BANKING COMMISSION REQUEST FOR NAME OF COMPREHENSIVE BOOK ON U.S. BANK REGULATORY SYSTEM. ACTION REQUESTED. WOULD APPRECIATE ANY SUGGESTIONS AND IF POSSIBLE COPY WE COULD PASS TO BANKING COMMISSION.

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6. PARTICIPATION OF SWITZERLAND IN STANDING COMMITTEE OF EXPERTS ON BANKING, FOREIGN EXCHANGE REGULATIONS, AND SUPERVISORY PRACTICES ESTABLISHED BY CENTRAL BANK GOVERNORS OF GROUP OF TEN COUNTRIES AND SWITZERLAND AT LAST BIS MEETING TO UNDERTAKE CONTINUING WORK OF SURVEILLANCE AND EXCHANGE OF INFORMATION PROVIDES ANOTHER USEFUL CHANNEL TO IMPROVE COMMUNICATIONS BETWEEN U.S. AND SWISS AUTHORITIES.

7. SNB PRESIDENT LEUTWILER IN LONDON SPEECH FEBRUARY 4  
ALSO TOUCHED ON SUBJECT WHEN HE SAID THAT IN SWITZERLAND  
IN ORDER TO IMPROVE THE QUALITY OF BANKING SUPERVISION WHAT  
IS NEEDED IS A) A CONSTANT CHECK THAT THE REGULATIONS ARE  
BEING OBSERVED AND B) AN EARLY WARNING SYSTEM ENABLING THE  
SUPERVISORY AUTHORITY TO INTERVENE BEFORE THE CASUALTY HAS  
OCCURRED.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCIAL STABILITY, BANKS, ECONOMIC CONTROLS  
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**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Number:** 1975BERN00783  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 3  
**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** greeneet  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 25 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <25 JUN 2003 by KelleyW0>; APPROVED <03 NOV 2003 by greeneet>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SWISS GOVERNMENT ATTITUDE ON BANK REGULATORY/SUPERVISORY MATTERS  
**TAGS:** EFIN, SZ  
**To:** STATE ZURICH  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006